

AMENDED IN ASSEMBLY APRIL 13, 2016

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 1775**

---

**Introduced by Assembly Member Obernolte**

February 3, 2016

---

An act to amend Sections ~~17941~~, 18601, 18633, ~~19021~~, ~~23224~~, ~~18633.5~~, and 23281 of the Revenue and Taxation Code, relating to taxation.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1775, as amended, Obernolte. Income taxes: returns: due dates.

The Personal Income Tax Law requires a partnership to file an informational return on the 15th day of the 4th month following the close of its taxable year, and a limited liability company *classified as a partnership* to file a return of the taxes due and payable on the 15th day of the 4th month following the close of its taxable year. The ~~Corporate~~ Corporation Tax Law requires ~~“C” corporation and “S” corporation taxpayers to file returns~~ *a taxpayer subject to that law, including an “S corporation,” to file a return* on the 15th day of the 3rd month following the close of its taxable year. These tax return due dates conform to federal income tax return due dates for taxable years beginning before January 1, 2016.

This bill would require, instead, for taxable years beginning on or after January 1, 2016, ~~partnerships and limited liability companies~~ *a partnership and a limited liability company classified as a partnership* to file a return on the 15th day of the 3rd month, and ~~“C” Corporations~~ *a taxpayer subject to the Corporation Tax Law, but not an “S*

corporation,” to file a return on the 15th day of the 4th month of the year, except “C” corporations with fiscal years ending on June 30 would use the new filing date for taxable years beginning on or after January 1, 2026: month, following the close of its taxable year. These tax return due dates would conform to federal income tax return due dates for taxable years beginning on and after January 1, 2016.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 18601 of the Revenue and Taxation Code  
2     is amended to read:

3     18601. (a) Except as provided in subdivision ~~(b) or (c)~~, (b),  
4     (c), or (d), every taxpayer subject to the tax imposed by Part 11  
5     (commencing with Section 23001) shall, on or before the 15th day  
6     of the ~~third~~ fourth month following the close of its taxable year,  
7     transmit to the Franchise Tax Board a return in a form prescribed  
8     by it, specifying for the taxable year, all the facts as it may by rule,  
9     or otherwise, require in order to carry out this part. A tax return,  
10    disclosing net income for any taxable year, filed pursuant to  
11    Chapter 2 (commencing with Section 23101) or Chapter 3  
12    (commencing with Section 23501) of Part 11 shall be deemed filed  
13    pursuant to the proper chapter of Part 11 for the same taxable  
14    period, if the chapter under which the return is filed is determined  
15    erroneous.

16    (b) In the case of cooperative associations described in Section  
17    24404, returns shall be filed on or before the 15th day of the ninth  
18    month following the close of its taxable year.

19    (c) In the case of taxpayers required to file a return for a short  
20    period under Section 24634, the due date for the short period return  
21    shall be the same as the due date of the federal tax return that  
22    includes the net income of the taxpayer for that short period, or  
23    the due date specified in subdivision (a) if no federal return is  
24    required to be filed that would include the net income for that short  
25    period.

26    (d) (1) In the case of an “S corporation” described in Section  
27    1361 of the Internal Revenue Code, relating to S corporation  
28    defined, returns shall be filed on or before the 15th day of the third  
29    month following the close of its taxable year.

~~(d)~~

(2) For taxable years beginning on or after January 1, 1997, each “S corporation” required to file a return under subdivision (a) for any taxable year shall, on or before the day on which the return for the taxable year was filed, furnish each person who is a shareholder at any time during the taxable year a copy of the information shown on the return.

(e) For taxable years beginning on or after January 1, 1997:

(1) A shareholder of an “S corporation” shall, on the shareholder’s return, treat a Subchapter S item in a manner that is consistent with the treatment of the item on the corporate return.

(2) (A) In the case of any Subchapter S item, paragraph (1) shall not apply to that item if both of the following occur:

(i) Either of the following occurs:

(I) The corporation has filed a return, but the shareholder’s treatment of the item on the shareholder’s return is, or may be, inconsistent with the treatment of the item on the corporate return.

(II) The corporation has not filed a return.

(ii) The shareholder files with the Franchise Tax Board a statement identifying the inconsistency.

(B) A shareholder shall be treated as having complied with clause (ii) of subparagraph (A) with respect to a Subchapter S item if the shareholder does both of the following:

(i) Demonstrates to the satisfaction of the Franchise Tax Board that the treatment of the Subchapter S item on the shareholder’s return is consistent with the treatment of the item on the schedule furnished to the shareholder by the corporation.

(ii) Elects to have this paragraph apply with respect to that item.

(3) In any case described in subclause (I) of clause (i) of subparagraph (A) of paragraph (2), and in which the shareholder does not comply with clause (ii) of subparagraph (A) of paragraph (2), any adjustment required to make the treatment of the items by the shareholder consistent with the treatment of the items on the corporate return shall be treated as arising out of a mathematical error and assessed and collected under Section 19051.

(4) For purposes of this subdivision, “Subchapter S item” means any item of an “S corporation” to the extent provided by regulations that, for purposes of Part 10 (commencing with Section 17001) or this part, the item is more appropriately determined at the corporation level than at the shareholder level.

(5) The penalties imposed under Article 7 (commencing with Section 19131) of Chapter 4 shall apply in the case of a shareholder's negligence in connection with, or disregard of, the requirements of this section.

*(f) The amendments made to this section by the act adding this subdivision shall apply to returns for taxable years beginning on or after January 1, 2016.*

*SEC. 2. Section 18633 of the Revenue and Taxation Code is amended to read:*

18633. (a) (1) Every partnership, on or before the 15th day of the ~~fourth~~ *third* month following the close of its taxable year, shall make a return for that taxable year, stating specifically the items of gross income and the deductions allowed by Part 10 (commencing with Section 17001). Except as otherwise provided in Section 18621.5, the return shall include the names, addresses, and taxpayer identification numbers of the persons, whether residents or nonresidents, who would be entitled to share in the net income if distributed and the amount of the distributive share of each person. The return shall contain or be verified by a written declaration that it is made under penalty of perjury, signed by one of the partners.

(2) In addition to returns required by paragraph (1), every limited partnership subject to the tax imposed by subdivision (b) of Section 17935, on or before the 15th day of the ~~fourth~~ *third* month following the close of its taxable year, shall make a return for that taxable year, containing the information identified in paragraph (1). In the case of a limited partnership not doing business in this state, the Franchise Tax Board shall prescribe the manner and extent to which the information identified in paragraph (1) shall be included with the return required by this paragraph.

(b) Each partnership required to file a return under subdivision (a) for any taxable year shall (on or before the day on which the return for that taxable year was required to be filed) furnish to each person who is a partner or who holds an interest in that partnership as a nominee for another person at any time during that taxable year a copy of the information required to be shown on that return as may be required by regulations.

(c) Any person who holds an interest in a partnership as a nominee for another person shall do both of the following:

1 (1) Furnish to the partnership, in the manner prescribed by the  
2 Franchise Tax Board, the name, address, and taxpayer identification  
3 number of that other person, and any other information for that  
4 taxable year as the Franchise Tax Board may by form and  
5 regulation prescribe.

6 (2) Furnish to that other person, in the manner prescribed by  
7 the Franchise Tax Board, the information provided by that  
8 partnership under subdivision (b).

9 (d) The provisions of Section 6031(d) of the Internal Revenue  
10 Code, relating to the separate statement of items of unrelated  
11 business taxable income, shall apply.

12 (e) The provisions of Section 6031(f) of the Internal Revenue  
13 Code, relating to electing investment partnerships, shall apply,  
14 except as otherwise provided.

15 (f) *The amendments made to this section by the act adding this*  
16 *subdivision shall apply to returns for taxable years beginning on*  
17 *or after January 1, 2016.*

18 SEC. 3. *Section 18633.5 of the Revenue and Taxation Code is*  
19 *amended to read:*

20 18633.5. (a) Every limited liability company—~~which~~ *that* is  
21 classified as a partnership for California tax purposes that is doing  
22 business in this state, organized in this state, or registered with the  
23 Secretary of State shall file its return on or before the ~~fifteenth~~  
24 *15th* day of the ~~fourth~~ *third* month following the close of its taxable  
25 year, stating specifically the items of gross income and the  
26 deductions allowed by Part 10 (commencing with Section 17001).  
27 The return shall include the names, addresses, and taxpayer  
28 identification numbers of the persons, whether residents or  
29 nonresidents, who would be entitled to share in the net income if  
30 distributed and the amount of the distributive share of each person.  
31 The return shall contain or be verified by a written declaration that  
32 it is made under penalty of perjury, signed by one of the limited  
33 liability company members. In the case of a limited liability  
34 company not doing business in this state, and subject to the tax  
35 imposed by subdivision (b) of Section 17941, the Franchise Tax  
36 Board shall, for returns required to be filed on or after January 1,  
37 1998, prescribe the manner and extent to which the information  
38 identified in this subdivision shall be included with the return  
39 required by this subdivision.

(b) Each limited liability company required to file a return under subdivision (a) for any limited liability company taxable year shall, on or before the day on which the return for that taxable year was required to be filed, furnish to each person who holds an interest in that limited liability company at any time during that taxable year a copy of that information required to be shown on that return as may be required by forms and instructions prescribed by the Franchise Tax Board.

(c) Any person who holds an interest in a limited liability company as a nominee for another person shall do both of the following:

(1) Furnish to the limited liability company, in the manner prescribed by the Franchise Tax Board, the name, address, and taxpayer identification number of that person, and any other information for that taxable year as the Franchise Tax Board may prescribe by forms and instructions.

(2) Furnish to that other person, in the manner prescribed by the Franchise Tax Board, the information provided by that limited liability company under subdivision (b).

(d) The provisions of Section 6031(d) of the Internal Revenue Code, relating to the separate statement of items of unrelated business taxable income, shall apply.

(e) (1) A limited liability company shall file with its return required under subdivision (a), in the form required by the Franchise Tax Board, the agreement of each nonresident member to file a return pursuant to Section 18501, to make timely payment of all taxes imposed on the member by this state with respect to the income of the limited liability company, and to be subject to personal jurisdiction in this state for purposes of the collection of income taxes, together with related interest and penalties, imposed on the member by this state with respect to the income of the limited liability company. If the limited liability company fails to timely file the agreements on behalf of each of its nonresident members, then the limited liability company shall, at the time set forth in subdivision (f), pay to this state on behalf of each nonresident member of whom an agreement has not been timely filed an amount equal to the highest marginal tax rate in effect under Section 17041, in the case of members ~~which~~ *that* are individuals, estates, or trusts, and Section 23151, in the case of members that are corporations, multiplied by the amount of the

1 member's distributive share of the income source to the state  
2 reflected on the limited liability company's return for the taxable  
3 period, reduced by the amount of tax previously withheld and paid  
4 by the limited liability company pursuant to Section 18662 and  
5 the regulations thereunder with respect to each nonresident  
6 member. A limited liability company shall be entitled to recover  
7 the payment made from the member on whose behalf the payment  
8 was made.

9 (2) If a limited liability company fails to attach the agreement  
10 or to timely pay the payment required by paragraph (1), the  
11 payment shall be considered the tax of the limited liability company  
12 for purposes of the penalty prescribed by Section 19132 and interest  
13 prescribed by Section 19101 for failure to timely pay the tax.  
14 Payment of the penalty and interest imposed on the limited liability  
15 company for failure to timely pay the amount required by this  
16 subdivision shall extinguish the liability of a nonresident member  
17 for the penalty and interest for failure to make timely payment of  
18 all taxes imposed on that member by this state with respect to the  
19 income of the limited liability company.

20 (3) No penalty or interest shall be imposed on the limited  
21 liability company under paragraph (2) if the nonresident member  
22 timely files and pays all taxes imposed on the member by this state  
23 with respect to the income of the limited liability company.

24 (f) Any agreement of a nonresident member required to be filed  
25 pursuant to subdivision (e) shall be filed at either of the following  
26 times:

27 (1) The time the annual return is required to be filed pursuant  
28 to this section for the first taxable period for which the limited  
29 liability company became subject to tax pursuant to Chapter 10.6  
30 (commencing with Section 17941).

31 (2) The time the annual return is required to be filed pursuant  
32 to this section for any taxable period in which the limited liability  
33 company had a nonresident member on whose behalf an agreement  
34 described in subdivision (e) has not been previously filed.

35 (g) Any amount paid by the limited liability company to this  
36 state pursuant to paragraph (1) of subdivision (e) shall be  
37 considered to be a payment by the member on account of the  
38 income tax imposed by this state on the member for the taxable  
39 period.

(h) Every limited liability company that is classified as a corporation for California tax purposes shall be subject to the requirement to file a tax return under the provisions of Part 10.2 (commencing with Section 18401) and the applicable taxes imposed by Part 11 (commencing with Section 23001).

(i) (1) Every limited liability company doing business in this state, organized in this state, or registered with the Secretary of State, that is disregarded pursuant to Section 23038 shall file a return that includes information necessary to verify its liability under Sections 17941 and 17942, provides its sole owner's name and taxpayer identification number, includes the consent of the owner to California tax jurisdiction, and includes other information necessary for the administration of this part, Part 10 (commencing with Section 17001), or Part 11 (commencing with Section 23001).

(2) If the owner's consent required under paragraph (1) is not included, the limited liability company shall pay on behalf of its owner an amount consistent with, and treated the same as, the amount to be paid under subdivision (e) by a limited liability company on behalf of a nonresident member for whom an agreement required by subdivision (e) is not attached to the return of the limited liability company.

(3) ~~The (A) Except as provided in subparagraph (B), the return required under paragraph (1) shall be filed on or before the fifteenth 15th day of the fourth month after the close of the taxable year of the owner subject to tax under Part 10 (commencing with Section 17001) of Division 2 or on or before the fifteenth day of the third month after the close of the taxable year of the owner subject to tax under Chapter 2 (commencing with Section 23101) of Part 11 of Division 2, whichever is applicable. 11.~~

*(B) In the event that the owner is an "S corporation," a partnership, or a limited liability company classified as a partnership for California tax purposes, the return required under paragraph (1) shall be filed on or before the 15th day of the third month after the close of the taxable year.*

(4) For limited liability companies disregarded pursuant to Section 23038, "taxable year of the owner" shall be substituted for "taxable year" in Sections 17941 and 17942.

(j) ~~The amendments made by the act adding this subdivision Chapter 264 of the Statutes of 2005 apply to taxable years beginning on or after January 1, 2005.~~

1     (k) *The amendments made to this section by the act adding this*  
2     *subdivision shall apply to returns for taxable years beginning on*  
3     *or after January 1, 2016.*

4     SEC. 4. *Section 23281 of the Revenue and Taxation Code is*  
5     *amended to read:*

6     23281. (a) (1) When a taxpayer ceases to do business within  
7     the state during any taxable year and does not dissolve or withdraw  
8     from the state during that year, and does not resume doing business  
9     during the succeeding taxable year, its tax for the taxable year in  
10    which it resumes doing business prior to January 1, 2000, shall be  
11    the greater of the following:

12    (A) The tax computed upon the basis of the net income of the  
13    income year in which it ceased doing business, except where the  
14    income has already been included in the measure of a tax imposed  
15    by this chapter.

16    (B) The minimum tax prescribed in Section 23153.

17    (2) When a taxpayer ceases to do business within the state during  
18    any taxable year and does not dissolve or withdraw from the state  
19    during that year, and does not resume doing business during the  
20    succeeding taxable year, its tax for the taxable year in which it  
21    resumes doing business, on or after January 1, 2000, shall be  
22    according to or measured by its net income for the taxable year in  
23    which it resumes doing business.

24    (b) The tax shall be due and payable at the time the corporation  
25    resumes doing business, or on or before the ~~15th day of the third~~  
26    ~~month following the close of~~ *due date of the return* for its taxable  
27    year, whichever is later. All the provisions of this part relating to  
28    delinquent taxes shall be applicable to the tax if it is not paid on  
29    or before its due date.

30    (c) This section does not apply to a corporation ~~which~~ *that*  
31    became subject to Chapter 3 (commencing with Section 23501)  
32    after it discontinued doing business in this state (see Section  
33    23224.5).

34    (d) *The amendments made to this section by the act adding this*  
35    *subdivision shall apply to taxable years beginning on or after*  
36    *January 1, 2016.*

37    ~~SECTION 1. Section 17941 of the Revenue and Taxation Code~~  
38    ~~is amended to read:~~

39    ~~17941. (a) For each taxable year beginning on or after January~~  
40    ~~1, 1997, a limited liability company doing business in this state~~

1 ~~(as defined in Section 23101) shall pay annually to this state a tax~~  
2 ~~for the privilege of doing business in this state in an amount equal~~  
3 ~~to the applicable amount specified in subdivision (d) of Section~~  
4 ~~23153 for the taxable year.~~

5 ~~(b) (1) In addition to any limited liability company that is doing~~  
6 ~~business in this state and is therefore subject to the tax imposed~~  
7 ~~by subdivision (a), for each taxable year beginning on or after~~  
8 ~~January 1, 1997, a limited liability company shall pay annually~~  
9 ~~the tax prescribed in subdivision (a) if articles of organization have~~  
10 ~~been accepted, or a certificate of registration has been issued, by~~  
11 ~~the office of the Secretary of State. The tax shall be paid for each~~  
12 ~~taxable year, or part thereof, until a certificate of cancellation of~~  
13 ~~registration or of articles of organization is filed on behalf of the~~  
14 ~~limited liability company with the office of the Secretary of State.~~

15 ~~(2) If a taxpayer files a return with the Franchise Tax Board that~~  
16 ~~is designated as its final return, the Franchise Tax Board shall~~  
17 ~~notify the taxpayer that the annual tax shall continue to be due~~  
18 ~~annually until a certificate of dissolution is filed with the Secretary~~  
19 ~~of State pursuant to Section 17707.08 of the Corporations Code~~  
20 ~~or a certificate of cancellation is filed with the Secretary of State~~  
21 ~~pursuant to Section 17708.06 of the Corporations Code.~~

22 ~~(c) (1) For taxable years beginning before January 1, 2016, the~~  
23 ~~tax assessed under this section shall be due and payable on or~~  
24 ~~before the 15th day of the fourth month of the taxable year.~~

25 ~~(2) For taxable years beginning on or after January 1, 2016, the~~  
26 ~~tax assessed under this section shall be due and payable on or~~  
27 ~~before the 15th day of the third month of the taxable year.~~

28 ~~(d) For purposes of this section, “limited liability company”~~  
29 ~~means an organization, other than a limited liability company that~~  
30 ~~is exempt from the tax and fees imposed under this chapter~~  
31 ~~pursuant to Section 23701h or Section 23701x, that is formed by~~  
32 ~~one or more persons under the law of this state, any other country,~~  
33 ~~or any other state, as a “limited liability company” and that is not~~  
34 ~~taxable as a corporation for California tax purposes.~~

35 ~~(e) Notwithstanding anything in this section to the contrary, if~~  
36 ~~the office of the Secretary of State files a certificate of cancellation~~  
37 ~~pursuant to Section 17707.02 of the Corporations Code for any~~  
38 ~~limited liability company, then paragraph (1) of subdivision (f) of~~  
39 ~~Section 23153 shall apply to that limited liability company as if~~  
40 ~~the limited liability company were properly treated as a corporation~~

1 for that limited purpose only, and paragraph (2) of subdivision (f)  
2 of Section 23153 shall not apply. Nothing in this subdivision  
3 entitles a limited liability company to receive a reimbursement for  
4 any annual taxes or fees already paid.

5 (f) (1) Notwithstanding any provision of this section to the  
6 contrary, a limited liability company that is a small business solely  
7 owned by a deployed member of the United States Armed Forces  
8 shall not be subject to the tax imposed under this section for any  
9 taxable year the owner is deployed and the limited liability  
10 company operates at a loss or ceases operation.

11 (2) The Franchise Tax Board may promulgate regulations as  
12 necessary or appropriate to carry out the purposes of this  
13 subdivision, including a definition for “ceases operation.”

14 (3) For the purposes of this subdivision, all of the following  
15 definitions apply:

16 (A) “Deployed” means being called to active duty or active  
17 service during a period when a Presidential Executive order  
18 specifies that the United States is engaged in combat or homeland  
19 defense. “Deployed” does not include either of the following:

20 (i) Temporary duty for the sole purpose of training or processing.

21 (ii) A permanent change of station.

22 (B) “Operates at a loss” means a limited liability company’s  
23 expenses exceed its receipts.

24 (C) “Small business” means a limited liability company with  
25 total income from all sources derived from, or attributable, to the  
26 state of two hundred fifty thousand dollars (\$250,000) or less.

27 (4) This subdivision shall become inoperative for taxable years  
28 beginning on or after January 1, 2018.

29 SEC. 2. Section 18601 of the Revenue and Taxation Code is  
30 amended to read:

31 18601. (a) (1) For taxable years beginning before January 1,  
32 2016, as provided in subdivision (b) or (c), every taxpayer subject  
33 to the tax imposed by Part 11 (commencing with Section 23001)  
34 shall, on or before the 15th day of the third month following the  
35 close of its taxable year, transmit to the Franchise Tax Board a  
36 return in a form prescribed by it, specifying for the taxable year,  
37 all the facts as it may by rule, or otherwise, require in order to  
38 carry out this part. A tax return, disclosing net income for any  
39 taxable year, filed pursuant to Chapter 2 (commencing with Section  
40 23101) or Chapter 3 (commencing with Section 23501) of Part 11

1 shall be deemed filed pursuant to the proper chapter of Part 11 for  
2 the same taxable period, if the chapter under which the return is  
3 filed is determined erroneous.

4 (2) (A) (i) For taxable years beginning on or after January 1,  
5 2016, as provided in subdivision (b) or (c), every taxpayer subject  
6 to the tax imposed by Part 11 (commencing with Section 23001)  
7 that is a “C” corporation shall, on or before the 15th day of the  
8 fourth month following the close of its taxable year, transmit to  
9 the Franchise Tax Board a return in a form prescribed by it,  
10 specifying for the taxable year, all the facts as it may by rule, or  
11 otherwise, require in order to carry out this part. A tax return,  
12 disclosing net income for any taxable year, filed pursuant to  
13 Chapter 2 (commencing with Section 23101) or Chapter 3  
14 (commencing with Section 23501) of Part 11 shall be deemed filed  
15 pursuant to the proper chapter of Part 11 for the same taxable  
16 period, if the chapter under which the return is filed is determined  
17 erroneous.

18 (ii) In the case of a “C” corporation with a fiscal year ending  
19 on June 30, the amendments made by clause (i) shall apply to  
20 returns for taxable years beginning on or after January 1, 2026.

21 (B) For taxable years beginning on or after January 1, 2016, as  
22 provided in subdivision (b) or (c), every taxpayer subject to the  
23 tax imposed by Part 11 (commencing with Section 23001) that is  
24 an “S” corporation shall, on or before the 15th day of the third  
25 month following the close of its taxable year, transmit to the  
26 Franchise Tax Board a return in a form prescribed by it, specifying  
27 for the taxable year, all the facts as it may by rule, or otherwise,  
28 require in order to carry out this part. A tax return, disclosing net  
29 income for any taxable year, filed pursuant to Chapter 2  
30 (commencing with Section 23101) or Chapter 3 (commencing with  
31 Section 23501) of Part 11 shall be deemed filed pursuant to the  
32 proper chapter of Part 11 for the same taxable period, if the chapter  
33 under which the return is filed is determined erroneous.

34 (b) In the case of cooperative associations described in Section  
35 24404, returns shall be filed on or before the 15th day of the ninth  
36 month following the close of its taxable year.

37 (c) In the case of taxpayers required to file a return for a short  
38 period under Section 24634, the due date for the short period return  
39 shall be the same as the due date of the federal tax return that  
40 includes the net income of the taxpayer for that short period, or

1 the due date specified in subdivision (a) if no federal return is  
2 required to be filed that would include the net income for that short  
3 period.

4 (d) For taxable years beginning on or after January 1, 1997,  
5 each "S" corporation required to file a return under subdivision  
6 (a) for any taxable year shall, on or before the day on which the  
7 return for the taxable year was filed, furnish each person who is a  
8 shareholder at any time during the taxable year a copy of the  
9 information shown on the return.

10 (e) For taxable years beginning on or after January 1, 1997:

11 (1) A shareholder of an "S" corporation shall, on the  
12 shareholder's return, treat a Subchapter S item in a manner that is  
13 consistent with the treatment of the item on the corporate return.

14 (2) (A) In the case of any Subchapter S item, paragraph (1)  
15 shall not apply to that item if both of the following occur:

16 (i) Either of the following occurs:

17 (I) The corporation has filed a return, but the shareholder's  
18 treatment of the item on the shareholder's return is, or may be,  
19 inconsistent with the treatment of the item on the corporate return.

20 (II) The corporation has not filed a return.

21 (ii) The shareholder files with the Franchise Tax Board a  
22 statement identifying the inconsistency.

23 (B) A shareholder shall be treated as having complied with  
24 clause (ii) of subparagraph (A) with respect to a Subchapter S item  
25 if the shareholder does both of the following:

26 (i) Demonstrates to the satisfaction of the Franchise Tax Board  
27 that the treatment of the Subchapter S item on the shareholder's  
28 return is consistent with the treatment of the item on the schedule  
29 furnished to the shareholder by the corporation.

30 (ii) Elects to have this paragraph apply with respect to that item.

31 (3) In any case described in subclause (I) of clause (i) of  
32 subparagraph (A) of paragraph (2), and in which the shareholder  
33 does not comply with clause (ii) of subparagraph (A) of paragraph  
34 (2), any adjustment required to make the treatment of the items by  
35 the shareholder consistent with the treatment of the items on the  
36 corporate return shall be treated as arising out of a mathematical  
37 error and assessed and collected under Section 19051.

38 (4) For purposes of this subdivision, "Subchapter S item" means  
39 any item of an "S" corporation to the extent provided by regulations  
40 that, for purposes of Part 10 (commencing with Section 17001) or

1 this part, the item is more appropriately determined at the  
2 corporation level than at the shareholder level.

3 (5) The penalties imposed under Article 7 (commencing with  
4 Section 19131) of Chapter 4 shall apply in the case of a  
5 shareholder's negligence in connection with, or disregard of, the  
6 requirements of this section.

7 SEC. 3. Section 18633 of the Revenue and Taxation Code is  
8 amended to read:

9 18633. (a) (1) (A) For taxable years beginning before January  
10 1, 2016, every partnership, on or before the 15th day of the fourth  
11 month following the close of its taxable year, shall make a return  
12 for that taxable year, stating specifically the items of gross income  
13 and the deductions allowed by Part 10 (commencing with Section  
14 17001). Except as otherwise provided in Section 18621.5, the  
15 return shall include the names, addresses, and taxpayer  
16 identification numbers of the persons, whether residents or  
17 nonresidents, who would be entitled to share in the net income if  
18 distributed and the amount of the distributive share of each person.  
19 The return shall contain or be verified by a written declaration that  
20 it is made under penalty of perjury, signed by one of the partners.

21 (B) In addition to returns required by subparagraph (A), every  
22 limited partnership subject to the tax imposed by subdivision (b)  
23 of Section 17935, on or before the 15th day of the fourth month  
24 following the close of its taxable year, shall make a return for that  
25 taxable year, containing the information identified in subparagraph  
26 (A). In the case of a limited partnership not doing business in this  
27 state, the Franchise Tax Board shall prescribe the manner and  
28 extent to which the information identified in subparagraph (A)  
29 shall be included with the return required by this subparagraph.

30 (2) (A) For taxable years beginning on or after January 1, 2016,  
31 every partnership, on or before the 15th day of the third month  
32 following the close of its taxable year, shall make a return for that  
33 taxable year, stating specifically the items of gross income and the  
34 deductions allowed by Part 10 (commencing with Section 17001).  
35 Except as otherwise provided in Section 18621.5, the return shall  
36 include the names, addresses, and taxpayer identification numbers  
37 of the persons, whether residents or nonresidents, who would be  
38 entitled to share in the net income if distributed and the amount  
39 of the distributive share of each person. The return shall contain

1 or be verified by a written declaration that it is made under penalty  
2 of perjury, signed by one of the partners:

3 (B) In addition to returns required by subparagraph (A), every  
4 limited partnership subject to the tax imposed by subdivision (b)  
5 of Section 17935, on or before the 15th day of the third month  
6 following the close of its taxable year, shall make a return for that  
7 taxable year, containing the information identified in subparagraph  
8 (A). In the case of a limited partnership not doing business in this  
9 state, the Franchise Tax Board shall prescribe the manner and  
10 extent to which the information identified in subparagraph (A)  
11 shall be included with the return required by this subparagraph.

12 (b) Each partnership required to file a return under subdivision  
13 (a) for any taxable year shall (on or before the day on which the  
14 return for that taxable year was required to be filed) furnish to each  
15 person who is a partner or who holds an interest in that partnership  
16 as a nominee for another person at any time during that taxable  
17 year a copy of the information required to be shown on that return  
18 as may be required by regulations.

19 (c) Any person who holds an interest in a partnership as a  
20 nominee for another person shall do both of the following:

21 (1) Furnish to the partnership, in the manner prescribed by the  
22 Franchise Tax Board, the name, address, and taxpayer identification  
23 number of that other person, and any other information for that  
24 taxable year as the Franchise Tax Board may by form and  
25 regulation prescribe.

26 (2) Furnish to that other person, in the manner prescribed by  
27 the Franchise Tax Board, the information provided by that  
28 partnership under subdivision (b).

29 (d) The provisions of Section 6031(d) of the Internal Revenue  
30 Code, relating to separate statement of items of unrelated business  
31 taxable income, shall apply.

32 (e) The provisions of Section 6031(f) of the Internal Revenue  
33 Code, relating to electing investment partnerships, shall apply,  
34 except as otherwise provided.

35 SEC. 4. Section 19021 of the Revenue and Taxation Code is  
36 amended to read:

37 19021. (a) For taxable years beginning before January 1, 2016,  
38 the case of taxpayers subject to the tax imposed by Article 3  
39 (commencing with Section 23181) of Chapter 2 of Part 11, there  
40 shall be due and payable on or before the 15th day of the third

1 month following the close of the preceding year from each taxpayer  
2 a percentage of its net income as disclosed by its return which is  
3 equal to the rate applicable to corporations subject to the tax  
4 imposed by Article 2 (commencing with Section 23151) of Chapter  
5 2 of Part 11 plus the personal property tax rate equivalent included  
6 in the bank and financial corporation tax rate determination by the  
7 Franchise Tax Board pursuant to Sections 23186 and 23186.1. The  
8 payment required by this section shall not be less than the minimum  
9 tax specified in Section 23153.

10 (b) (1) (A) For taxable years beginning on or after January 1,  
11 2016, in the case of taxpayers that are “C” corporations subject to  
12 the tax imposed by Article 3 (commencing with Section 23181)  
13 of Chapter 2 of Part 11, there shall be due and payable on or before  
14 the 15th day of the fourth month following the close of the  
15 preceding year from each taxpayer a percentage of its net income  
16 as disclosed by its return which is equal to the rate applicable to  
17 corporations subject to the tax imposed by Article 2 (commencing  
18 with Section 23151) of Chapter 2 of Part 11 plus the personal  
19 property tax rate equivalent included in the bank and financial  
20 corporation tax rate determination by the Franchise Tax Board  
21 pursuant to Section 23186. The payment required by this section  
22 shall not be less than the minimum tax specified in Section 23153.

23 (B) In the case of a “C” corporation with a fiscal year ending  
24 on June 30, the amendments made by subparagraph (A) shall apply  
25 to returns for taxable years beginning on or after January 1, 2026.

26 (2) For taxable years beginning on or after January 1, 2016, in  
27 the case of taxpayers that are “S” corporations subject to the tax  
28 imposed by Article 3 (commencing with Section 23181) of Chapter  
29 2 of Part 11, there shall be due and payable on or before the 15th  
30 day of the fourth month following the close of the preceding year  
31 from each taxpayer a percentage of its net income as disclosed by  
32 its return which is equal to the rate applicable to corporations  
33 subject to the tax imposed by Article 2 (commencing with Section  
34 23151) of Chapter 2 of Part 11 plus the personal property tax rate  
35 equivalent included in the bank and financial corporation tax rate  
36 determination by the Franchise Tax Board pursuant to Section  
37 23186. The payment required by this section shall not be less than  
38 the minimum tax specified in Section 23153.

39 SEC. 5. Section 23224 of the Revenue and Taxation Code is  
40 amended to read:

1     ~~23224. (a) Notwithstanding the provisions of Section 23222~~  
2     ~~and Section 23223, if a corporation, which has been subject to the~~  
3     ~~provisions of Chapter 3 (commencing with section 23501)~~  
4     ~~commences to do business in this state, its tax shall be computed~~  
5     ~~as follows:~~

6     ~~(1) Such corporation shall pay a tax under Chapter 3~~  
7     ~~(commencing with Section 23501) for the whole of the year it~~  
8     ~~commences to do such business;~~

9     ~~(2) Such corporation shall, for the taxable year succeeding the~~  
10    ~~year it commences to do business in this state, pay a tax under this~~  
11    ~~chapter measured by its income for that taxable year;~~

12    ~~(3) Such corporation shall, for its third taxable year, pay a tax,~~  
13    ~~under this chapter, measured by its income for its second taxable~~  
14    ~~year;~~

15    ~~(4) (A) Notwithstanding any other provisions of this part, for~~  
16    ~~taxable years beginning before January 1, 2016, such corporation~~  
17    ~~shall file its return for such second and third taxable years on or~~  
18    ~~before the 15th day of the third month following the close of its~~  
19    ~~second taxable year.~~

20    ~~(B) (i) (I) Notwithstanding any other provisions of this part,~~  
21    ~~for taxable years beginning on or after January 1, 2016, such~~  
22    ~~corporation that is a "C" corporation shall file its return for such~~  
23    ~~second and third taxable years on or before the 15th day of the~~  
24    ~~fourth month following the close of its second taxable year.~~

25    ~~(II) In the case of a "C" corporation with a fiscal year ending~~  
26    ~~on June 30, the amendments made by subclause (I) shall apply to~~  
27    ~~returns for taxable years beginning on or after January 1, 2026.~~

28    ~~(ii) Notwithstanding any other provisions of this part, for taxable~~  
29    ~~years beginning on or after January 1, 2016, such corporation that~~  
30    ~~is a "S" corporation shall file its return for such second and third~~  
31    ~~taxable years on or before the 15th day of the third month following~~  
32    ~~the close of its second taxable year.~~

33    ~~(b) The provisions of subdivision (a) shall be applicable only~~  
34    ~~if a taxpayer commenced doing business in this state before January~~  
35    ~~1, 1972.~~

36    ~~SEC. 6. Section 23281 of the Revenue and Taxation Code is~~  
37    ~~amended to read:~~

38    ~~23281. (a) (1) When a taxpayer ceases to do business within~~  
39    ~~the state during any taxable year and does not dissolve or withdraw~~  
40    ~~from the state during that year, and does not resume doing business~~

1 during the succeeding taxable year, its tax for the taxable year in  
2 which it resumes doing business prior to January 1, 2000, shall be  
3 the greater of the following:

4 (A) The tax computed upon the basis of the net income of the  
5 income year in which it ceased doing business, except where the  
6 income has already been included in the measure of a tax imposed  
7 by this chapter.

8 (B) The minimum tax prescribed in Section 23153.

9 (2) When a taxpayer ceases to do business within the state during  
10 any taxable year and does not dissolve or withdraw from the state  
11 during that year, and does not resume doing business during the  
12 succeeding taxable year, its tax for the taxable year in which it  
13 resumes doing business, on or after January 1, 2000, shall be  
14 according to or measured by its net income for the taxable year in  
15 which it resumes doing business.

16 (b) (1) For taxable years beginning before January 1, 2016, the  
17 tax shall be due and payable at the time the corporation resumes  
18 doing business, or on or before the 15th day of the third month  
19 following the close of its taxable year, whichever is later. All the  
20 provisions of this part relating to delinquent taxes shall be  
21 applicable to the tax if it is not paid on or before its due date.

22 (2) (A) (i) For taxable years beginning on or after January 1,  
23 2016, the tax shall be due and payable at the time the "C"  
24 corporation resumes doing business, or on or before the 15th day  
25 of the fourth month following the close of its taxable year,  
26 whichever is later. All the provisions of this part relating to  
27 delinquent taxes shall be applicable to the tax if it is not paid on  
28 or before its due date.

29 (ii) In the case of a "C" corporation with a fiscal year ending  
30 on June 30, the amendments made by clause (i) shall apply to  
31 returns for taxable years beginning on or after January 1, 2026.

32 (B) For taxable years beginning on or after January 1, 2016, the  
33 tax shall be due and payable at the time the "S" corporation  
34 resumes doing business, or on or before the 15th day of the third  
35 month following the close of its taxable year, whichever is later.  
36 All the provisions of this part relating to delinquent taxes shall be  
37 applicable to the tax if it is not paid on or before its due date.

- 1     ~~(e) This section does not apply to a corporation which became~~
- 2     ~~subject to Chapter 3 (commencing with Section 23501) after it~~
- 3     ~~discontinued doing business in this state (see Section 23224.5).~~

O